



July 22, 2009

Dear Citizens:

I am pleased to transmit the budget for the City of Rio Rancho for the fiscal year July 1, 2009 through June 30, 2010. A budget is the primary vehicle through which a city establishes service priorities. Due to a weak economy, total income to support most city services is lower by almost seven percent. Despite this, through this budget your City government will continue to provide the same level of service to the community without raising taxes.

We have worked hard to balance the budget in a very tight fiscal climate. These efforts have resulted in spending that is five percent less than the 2008-09 fiscal year. These efforts include:

- Holding 51 jobs vacant. It is important to note that no first responder jobs will be held vacant.
- Unfortunately, there are not compensation increases for any group of employees.

In spite of these challenging economic times, not only are we maintaining service levels, but our City continues to move forward. Through this budget we begin implementation of the Strategic Plan, which was adopted in March 2009. The purpose of the strategic planning effort was to create a set of clear goals and strategies for meeting critical needs and challenges facing the community and city government. The Strategic Plan can be found on the City's web site at www.ci.rio-rancho.nm.us.

The City Manager is charged with implementation of the priority strategies approved by the Governing Body. As outlined in the strategic plan, our vision is to be *a diverse, sustainable, family-friendly community that is safe, vibrant and attractive to residents, businesses and visitors*. The strategies in the Strategic Plan and this budget support this vision. An example of a strategy that is well underway is the \$25 million worth of General Obligation road projects that will be under construction this fiscal year.

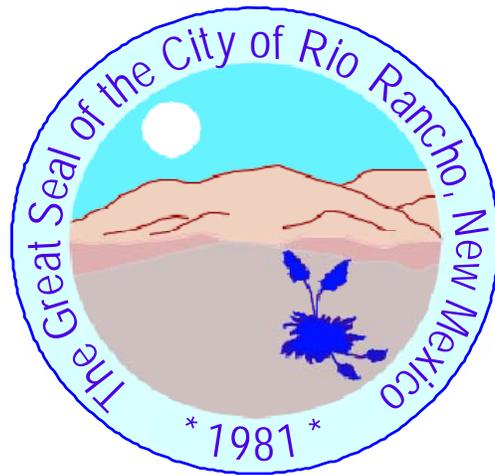
In summary, this balanced budget addresses the strategic priorities of our community within available revenues. Over the next year I look forward to working together to make policy decisions that support the long-term vision of the City in a fiscally responsible manner.

Sincerely,

A handwritten signature in dark blue ink that reads "Thomas E. Swisstack".

Thomas E. Swisstack
Mayor

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COMPENSATION: \$39,041,756

Compensation accounts for 77.4 percent of the General Fund operating budget. The wages and benefits decreased by 5.5 percent or \$2,268,910 by:

- freezing positions through attrition.
- increasing salary savings.
- forgoing salary increases.
- delaying hiring process for some positions.
- reducing health insurance costs by changing plans.
- reducing hours or days of aquatics operations.
- reducing summer program staffing levels.
- establishing a part-time voluntary program which allows employees with the approval of the Department Director to temporary change from full time employment to part time employment.

MATERIAL AND SERVICES: \$11,276,406

The General Fund materials and services budgets are increased \$108,818 or 1.0 percent compared to actual FY09 expenditures. Although there is a slight increase over actual expenditures, the FY09 mid-year budget reduced materials and services expenditures \$1,045,244. Budget reductions were made to many line items to meet the decline in revenue and in particular the Conference, Travel and Training line items were limited to in-state conferences except for staff that require training for license or certification requirements.

CAPITAL OUTLAY: \$86,500

Capital Outlay in the General Fund contains items consisting primarily of equipment, and software. Capital Outlay is \$105,636 less than fiscal year 2009. Large capital items such as vehicles are funded through the Equipment Replacement Fund. A detailed list of capital items can be found in the Capital Outlay section of the budget document.

TRANSFERS TO SPECIAL FUNDS: \$369,889

Transfers provide General Fund dollars to special funds mainly to support various vehicles purchases and fund activities such as:

Equipment Repair and Replacement Fund \$50,000
To provide funding to purchase vehicles.

Local Government Correction Fund \$76,200
To provide for detention facilities cost.

Recreation Development Fund \$ 35,000
To provide funding for Sports Complex Drain Erosion

Lodgers Tax Fund \$ 25,000
To provide funding for advertising promotion of the City.

Promotion and Marketing Fund \$170,937
To provide funding for Special Events managed by the Convention and Visitors Bureau.

Crime Victims Assistance Grant \$12,752
To provide City match.

SPECIAL FUNDS:

Special funds are established to account for revenue sources that fund particular functions or projects. A complete list of all special fund activities can be found in the Special Fund section. Following is a list of special funds that include significant activities:

Worker's Compensation Fund

The fund is budgeted to receive \$568,587 in Worker's Compensation premium from the General Fund, Water and Wastewater Utility, and Special Funds for the City's self-insurance for covering Worker Compensation claims.

Fiscal year 2009 was the first year the City self-insured worker's compensation. The fiscal year total cost for claims, reinsurance and claim handling costs was \$307,181. In fiscal year 2008 the premium paid to the New Mexico Self-insurance Fund was \$1,239,956, a savings of more than \$900,000.

Recreation Activities Fund

This self-funding program provides for adult softball, adult recreation programs, classes, and van trips supported by revenues of \$322,940.

Library Fund

The main source of budgeted revenues comes from State Library Bonds and County Library Bonds. Most of the budgeted expenditures include \$352,980 for books, \$27,750 minor equipment for both Loma Colorado and Esther Bone Libraries.

Promotion and Marketing Fund

\$170,937 transfer from the General Fund and budgeted revenue of \$100,000 from Pork N Brew supports this fund. One position is funded through this fund. Four major marketing projects funded are Pork N Brew (\$67,605), Park in the Park (\$8,459), Triple Crown (\$5,554), and Senior Softball Tournament (\$7,924)

Environmental Gross Receipts Tax Fund

Expenditures from this fund must only be used for solid waste facilities, water facilities, sewer systems, and related facilities. Budgeted for the Water and Wastewater Utility are paint tank and well #9 (\$125,000), lift station #5 odor control (\$150,000). Keep Rio Rancho Beautiful budgets \$128,600 for clean up of illegal dumpsites, hazardous collection programs.

Municipal Road Fund

Supported by budgeted Gasoline Tax revenue of \$632,100, the fund provides for road maintenance material (\$261,141), striping and sign installation (\$115,000), and repair and maintenance (\$159,500).

Federal Grant Fund

Several federal grants amounting to \$607,766 are budgeted for in this fund including:
ODWI Grant (Operation DWI), \$77,000 for overtime for DWI blitz activities.
STEP Grant (Selected Traffic Enforcement Program), \$145,038 for statewide training and providing for three in-car video cameras
SFST Grant (Standard Field Sobriety Test), \$371,528 for contract services for

statewide training.
OCEDTF Grant (Organized Crime Enforcement Drug Taskforce), \$4,000 for overtime.
US Marshall Service, \$6,000 for overtime for transporting prisoner.
Byrne SW Fugitive Enforcement, \$4,000 for overtime.

Equipment Replacement Fund

This fund is used to centralize the purchases of new and replacement City vehicles. This year's budget includes \$50,120 to replace vehicles that are heavily damaged or destroyed during the fiscal year

Impact Fee – Road Fund

Based on 868 projected single family and commercial construction starts budgeted revenue is \$830,000. Using beginning fund balance and revenue, \$800,000 is budgeted for engineering Unser Boulevard and right of way purchases.

Impact Fee – Parks Fund

Based on 868 projected single family and commercial construction starts budgeted revenue is \$240,000. \$62,470 is budgeted for High Range Playground (\$30,000), Los Milagros Fencing (\$20,000), Parks Rules Signs (\$5,000), and Rainmaster Central System (7,470).

2009 General Obligation Bond Construction Fund

The Bond funds nearly \$25,000,000 in various road projects including new construction, reconstruction and rehabilitation. New construction includes Unser Boulevard widening, Northern Boulevard, and Paseo del Volcan; Several reconstruction projects including Cherry Road, Western Hills Drive, and Broadmoor Boulevard; and lastly preventive maintenance to 35 streets.

Water and Wastewater Utility

The Water and Wastewater Utility provides services to approximately 30,000 customers. The primary source of revenue is the sale of water and wastewater services. Fiscal Year 2010 is the final year of scheduled water and wastewater rate increases. To maintain the current level of service, Utilities management is working with a consultant on a rate study to establish a new rate schedule. Due to a slower pace of revenue growth, both operational and capital expenditures have been significantly reduced. Some major capital projects will be deferred until the future. At the end of Fiscal Year 2009, the City refinanced the purchase of the Utility with the 2009 Bond Offering. This resulted in a refund of \$2.9 million that will be used for the following capital projects: a full scale aquifer recharge demonstration facility located north of Loma Colorado, replacing water lines in conjunction with road rehabilitation and water treatment at Well #12 which provides water to the northwest region of Rio Rancho.

REVENUES: \$30,265,510

Total revenues in Fiscal Year 2010 are derived from Water and Wastewater sales, Impact Fees, State Appropriations, Grants and Interest Income. A 12.1 percent or \$4,157,178 decrease in the total revenues is anticipated due to the revenue projections discussed below.

An increase of \$204,693 or 1.3 percent is anticipated in Water revenue as a result of increases in the Utilities customer base and a rate increase to be implemented on July 1st. Wastewater revenue is projected to decline \$237,232 or 1.9 percent primarily due to the continued decrease in the winter quarter average used to calculate Wastewater revenue.

Water and Wastewater Impact Fees are projected to increase 5.3 percent or \$58,854 due to an increase in the projected number of new housing starts.

State Appropriations and Grants are projected lower by \$3,258,776 because the total amount received in Fiscal Year 2009 included large grant awards from Army Corps of Engineers for arsenic removal and State of New Mexico for water & effluent infrastructure.

Interest revenue decreased 75 percent or \$892,001 primarily due to the decrease in interest rates.

MATERIALS & SERVICES: \$16,030,147

The materials and services budget increases 25.5 percent or \$3,257,235 compared with actual FY09 expenditures. Materials and service cost increase is driven in three areas, 1) the cost of chemicals associated with arsenic treatment have increase, as well as installing treatment facilities at additional wells, 2) increase in electric rates have a profound effect on the cost of water production and wastewater treatment, and 3) additional professional services to support the SCADA system.

CAPITAL OUTLAY: \$3,955,902

Utilities Fund Capital Outlay contains items such as equipment and capital projects. A detailed list of equipment can be found in the Capital Outlay section of the budget document. Funding for capital projects is provided through a combination of fund transfers from the Utilities Operations and Maintenance Fund, Impact Fees, grants, and bond proceeds.

Conversion of the current water meter system from manual reading to electronic reading (\$354,500) is budgeted in the Operations & Maintenance Fund.

Funding for the rehabilitation and repair of the City's wells (\$330,000) is provided in the C.I.P. Water Capital Fund. Annual repair and maintenance for the City's wells is essential because all of the water used is pumped from these wells.

The C.I.P. Water Capital Fund will provide \$230,000 to replace the water lines on 9th Ave, Riva Ct. and Rockaway Blvd. There have been several large water line breaks in this area that heavily damage the road asphalt. This project will replace the deteriorating water lines as well as repair the roads.

\$300,000 to prepare the engineering plans for the City Center Booster pump station and transmission main are provided from Water Impact Fees. This project will provide additional water to the Central Business District supporting development of the UNM Campus/Hospital and CNM.

Wastewater Impact Fees will be used for the engineering plans needed to expand Lift Station #22 (\$200,000). Expansion of Lift Station #22 will accommodate increased flows in the Lomitas Negras Sewer Basin. Wastewater Impact Fees will also be used to fund planning for a Septic Dump Station at WWTP #2 (\$150,000). This dump station will accept sewage from septic haulers.

Environmental Gross Receipts Tax Fund provides funding for renovation of a water storage tank at Well #9 (\$375,000) and for odor control at Lift Station #4 (\$150,000). Renovation of the water storage tank at Well #9 will reduce corrosion of the metal thus increasing the life of the tank. Reducing the sulfide at the Lift Station will reduce the odor as well as reducing the production of sulfuric acid, which will reduce corrosion of the wastewater infrastructure.

ENDING FUND BALANCE:

The Utilities Fund unreserved ending fund balance is \$6,958,481.

In summary, I believe this budget recommendation meets the current service needs of the community. We continue to make progress in funding basic infrastructure needs as identified through our planning processes. I would like to take this opportunity to thank all the City Department and Division heads, as well as their individual staff members, who have worked diligently for so many hours in developing this document. My thanks goes out to Financial Services Director Dick Kristof, Deputy Director Judy Dolley, Budget Analyst Juan Mejia and all of the Financial Services staff, whose efforts have proven invaluable to me.

Sincerely,

A handwritten signature in black ink, consisting of the initials "JCJ" followed by a large, stylized flourish that loops back to the left.

James C. Jimenez

City Manager